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C O N F I D E N T I A L ULAANBAATAR 000094

STATE FOR EAP/CM; PLEASE PASS TO COMMERCE, AGRICULTURE

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SUBJECT: DAS NORRIS DISCUSSES IMF, MCC, TRANSPARENCY
AGREEMENTS, HIGH-LEVEL VISITS, AND AFGHANISTAN WITH FM
BATBOLD

Classified By: PolOff Andrew Covington for Reasons 1.4 B and D

11. (C) Summary. On April 2, the DAS for China and Mongolia, John Norris, met in Ulaanbaatar with Mongolian Foreign Minister Batbold on the eve of our annual Consultation on Bilateral, Regional, and Global Issues (CBRGI). Batbold expressed satisfaction with the recent IMF Stand-By Agreement (SBA) with Mongolia and said the GOM is still seeking USG budgetary assistance in connection with the SBA. The FM said a transparency agreement (TA) with the United States was the way forward for our trade relations and that the GOM has a serious commitment to passing the Oyu Tolgoi investment agreement (IA) once Parliament takes up the issue again on April 6. Batbold was concerned with the lack of progress on the audit of Ulaanbaatar Railways (UBTZ), which is a condition precedent for the USD 188 million rail project of Mongolia's Millennium Challenge Compact. Batbold said Mongolia intends to contribute once again to military operations in Afghanistan and that the Mongolian National Security Council was gathering the information required to determine the nature of the reengagement. The FM thanked DAS Norris for confirming a June 9 meeting with the Secretary in Washington and personally delivered a letter inviting the Secretary to return to Mongolia. End Summary.

The IMF and Financial Assistance

12. (C) Batbold expressed satisfaction with the recently negotiated USD 229 million IMF Stand-By Agreement (SBA). He said Mongolia was still seeking financial assistance from the U.S. to supplement the direct budget support provided by other donors in connection with the SBA. DAS Norris reiterated President Obama's commitment to restoring the health of the global economy. He added that we welcomed the IMF's Standby Agreement, and that the U.S. is looking at what it can do to assist. Batbold asked that the U.S. extend the number of Mongolian products covered by the General System of Preferences-related handicraft agreement to include cashmere, camel, and similar products.

Transparency Agreement

13. (C) Batbold said Mongolia was happy to take the transparency agreement (TA) route with the United States as the way forward toward an eventual Free Trade Agreement (FTA), and that Mongolia was ready to talk about issues related to a TA. The DAS responded that we welcome Mongolia's desire to move forward on a TA and that the USTR values the trade relationship.

Mining Investment Agreement

14. (C) The FM noted that, because his ministry has assumed trade and investment responsibilities, he wants Parliament to consider the Oyu Tolgoi copper mining investment agreement very carefully, and that success with this major agreement will help with the passage of future such agreements. Batbold said that at this stage, with Parliament returning to the Oyu Tolgoi debate when it reconvenes on April 6, only fine tuning of the terms would be necessary.

Millennium Challenge Compact

15. (C) Batbold noted recent MCC-related successes, including passage of required Technical, Vocational and Educational Training legislation and recent steps toward securing a building for the land registry project. He said the GOM must pay attention to the lack of progress on the required audit of UBTZ, and that he thinks it ought to be solved immediately. Batbold said Prime Minister Bayar has a clear idea of the importance of the issue and is committed to solving it. DAS Norris said MCC was one of our great successes in recent years. He stated that we must follow through with MCC, that the rail audit problem must be solved expeditiously, and that he was glad to hear the FM's perspective.

Afghanistan

16. (C) DAS Norris expressed our admiration for the role Mongolia's military has played in Iraq and Afghanistan, and that we look forward to future cooperation. He reviewed the points of the recent letter from Secretary Gates to Defense Minister Bold inviting a Mongolian deployment to Afghanistan. Batbold said Mongolia is pleased to contribute as a democratic country. He said the GOM appreciated Secretary Gates' letter, would discuss the options seriously, and inform the USG of its decision. Regarding the possible location of a site security team, Batbold said the GOM would gather and provide the required information to the Mongolian National Security Council, comprising the President, PM and Speaker of Parliament.

Meeting with Secretary Clinton

17. (C) Batbold thanked the DAS for confirming his meeting on June 9 with Secretary Clinton in Washington and expressed an interest in seeing USTR officials and other relevant authorities on trade and investment issues. Batbold reciprocated with an invitation for Secretary Clinton to return to Mongolia at her convenience; he provided a copy of the physical invitation to DAS Norris. Post is forwarding the invitation to Department.

Community of Democracies

18. (C) Batbold said Mongolia would appreciate our support in their nascent campaign to chair the Community of Democracies (CD). He said State Secretary Tsogtbaatar will attend the CD meetings in Lisbon in July and would express this position then.

Participants

19. (C) Meeting participants included:
-- USG: DAS Norris, Ambassador Minton, EAP/CM Mongolia Desk Officer Goodman, Embassy PolOff Covington
-- GOM: FM Batbold, MFA Director for the Americas, Middle

East and Africa (AMEA) Odonjil, AMEA Deputy Mounkhou, and
U.S. Desk Officer Anand.

MINTON